

This record is a partial extract of the original cable. The full text of the original cable is not available.

012115Z Dec 05

UNCLAS SECTION 01 OF 02 QUITO 002737

SIPDIS

DEPT FOR EB/CIP/BA

E.O. 12958: N/A

TAGS: [ECPS](#) [ECON](#) [ETRD](#) [EINV](#) [EC](#)

SUBJECT: ECUADOR - INTERNATIONAL CIRCUIT BLOCKAGE A DOMESTIC MATTER

REF: STATE 177365

SENSITIVE

1. Summary. The blocking of international telephone traffic from the United States to Ecuador over the past 18 months has less to do with the negotiating tactics referred to in reftel than with local political and economic interests. In Ecuador, the blocking of circuits to impede the termination of international calls to cellular phones is driven by domestic contractual disputes between domestic fixed-line and mobile operators. Because of this dispute, Ecuadorian mobile operators and US carriers have had to enter into direct agreements that bypass Ecuadorian fixed-line operators. Meanwhile, in their negotiations with Andinatel and Pacifictel, US carriers note that they have not experienced the type of tactics referred to in reftel. End Summary.

ECUADORIAN CIRCUIT BLOCKAGE AND INTERCONNECTION RATES

2. The blocking of circuits connecting US telecom traffic to Ecuadorian cellular numbers is associated with interconnection rate disputes between Ecuadorian mobile and fixed-line operators. Interconnection rate agreements between fixed-line and mobile operators ended in April 2004 when the parties could not agree on a new rate. With the end of the prior interconnection agreement, fixed-line operators ceased sharing interconnection revenue with the mobiles. Complaints from the mobiles were ignored by the fixed-line operators. In retaliation, mobile operators began to disconnect circuits, blocking international phone calls to Ecuadorian cellular phones.

3. (The main Ecuadorian fixed-line operators are Andinatel and Pacifictel, which were created in 1997 when regulators broke up state-owned telecom EMETEL. Although they technically became private companies in 1997, the GOE, through state holding company Fondo de Solidaridad (FS), still owns 100% of Andinatel and Pacifictel. The main mobile companies in Ecuador include Spanish-owned Movistar, Mexican-owned Porta, and Allegra, which is a joint Andinatel-Pacifictel venture. Growth among the mobiles has far exceeded that of the fixed-line operators, and currently there are more than three mobile phones for every fixed line in service.)

4. In July 2005, after more than a year of unsuccessful negotiations between operators, Ecuadorian telecoms sector administrator Senatel announced new interconnection rates to govern traffic between mobile and fixed-line operators in Ecuador. The decision followed a 30-day warning from Senatel to operators indicating that it would establish rates if they were unable to do so. Under the Senatel decision, interconnection rates for calls from fixed-line to mobile operators are \$0.1131 per minute, while those from mobile to fixed are \$0.02 per minute. The new rates reduced fixed to mobile and mobile to fixed line interconnection charges by 43% and 62% respectively.

5. Despite Senatel's action, international traffic from the United States to cellular numbers in Ecuador remains blocked because the dispute over unpaid charges continues. Movistar, for example, claims that Andinatel and Pacifictel still owe it \$40 million in unpaid interconnection charges. In total, mobile companies are owed a reported \$100 million from interconnection charges from fixed-line operators.

ESTABLISHING DIRECT LINES TO MOBILE OPERATORS

6. (SBU) (Information commercially sensitive - please protect.) Faced with a domestic dispute that impedes their ability to establish connections to cellular phones, US carriers have re-routed such traffic, establishing their own direct lines to Ecuadorian mobiles. Hernan Ordonez, Movistar's Vice-President of Regulation, acknowledged to Econoff that Movistar has established direct lines with the main US carriers. For example, according to Ordonez, arrangements with AT&T and Sprint began in April and May

2005, respectively, and those with Bell South Long Distance go back to October 2004 when their operations were owned by Bell South. In many cases, US carriers are routing traffic through Telefonica, Movistar's parent company. Representatives from some of the US carriers have confirmed these arrangements.

US CARRIER RELATIONS WITH ANDINATEL AND PACIFICTEL

17. That US telecom traffic to cellular phones is disrupted by domestic commercial disputes does not mean that US telecoms are not having contractual problems with Ecuadorian fixed-line operators. Both AT&T and MCI reported to Econoff that 2005 contracts with Andinatel have yet to be signed. According to Mary Hoberman, AT&T's Director of International Public Policy, continuous changeover in executives at Andinatel has directly affected AT&T's ability to obtain closure on their 2005 agreement. Luis Montenegro, MCI's International Carrier Services provider in Quito, tells a similar tale. Meanwhile, both carriers report that 2005 agreements with Pacifictel are in place.

18. At Mary Hoberman's request, Econoff spoke to recently-arrived Andinatel President Gales Chiriboga about the outstanding contract. The Commercial Section also has raised the issue in recent months with Chiriboga's predecessor. Chiriboga expressed genuine concern that the contract had not been concluded, and rightly so, as the lack of a contract precludes payment by AT&T. Chiriboga said that he would make sure that the issue is resolved soon.

19. It is important to note that contracting delays with Andinatel are not associated with circuit blockage. Despite the lack of contracts for 2005, phone calls from US carriers to Andinatel are not blocked. International traffic continues to reach fixed-line operators.

COMMENT

10. The US carriers with whom Econoff spoke note that the difficulties they are experiencing in other Latin American countries referred to in refTel are completely different than what they are experiencing in Ecuador. That is, their experience does not indicate that Andinatel and Pacifictel are blocking circuits in order to obtain higher interconnection rates from US carriers, nor does it suggest pressure from the GOE to extract higher interconnection rates from US carriers in order to increase tax revenues to pay for other domestic programs.

11. However, while not a result of negotiating tactics, circuit blockage to cellular phones in Ecuador has the same effect on US carriers. Re-routing traffic through direct lines to Ecuadorian mobiles has not come cheaply. US carriers claim that the cost of re-routing traffic has had the same net effect on them cost-wise as that which they have been experiencing as a result of circuit-blocking tactics elsewhere in Latin America.

BROWN